

**NEBRASKA STATE BOARD OF PUBLIC ACCOUNTANCY
QUALITY ENHANCEMENT PROGRAM**

GUIDELINES FOR PRE-ISSUANCE REVIEWS

When the Quality Enhancement Program (QEP) Committee requests that a practice unit (firm or individual practitioner) undergo pre-issuance review of the next report to be issued on a particular entity, the Board/QEP Committee expects compliance by the practice unit undergoing the review and the firm conducting the pre-issuance review of the following standards/guidelines:

1. The practice unit which will undergo pre-issuance review will contract with a qualified firm or individual to perform the pre-issuance review in a timely manner.

The term "qualified" means the firm/individual:

- a. Has not received a Type 3 or Type 4 rating on any report reviewed by the QEP Committee or has not received a qualified or adverse AICPA Quality Review report or peer review report in any of the last three years; and
- b. Has a current Nebraska permit to practice; and
- c. Is independent under the AICPA Code of Conduct and the Board's Rules on Independence regarding the practice unit to be reviewed; and
- d. Is familiar with the current accounting and reporting standards for the industry of the client whose report is being subjected to pre-issuance review; and
- e. Is in good standing with the Board.

2. The practice unit which will undergo pre-issuance review will notify the Board as to the selection of the firm/ individual who will perform the pre-issuance review. The Board reserves the right to reject the selection of any firm/individual.

3. The pre-issuance review will include the following:

- a. The firm/individual performing the pre-issuance review shall review the draft report, and the accompanying workpapers as deemed necessary.
- b. The firm/individual performing the pre-issuance review shall use, in the review, a checklist which has been developed for use in the specialized area of practice. The checklist should be the AICPA Checklist (Financial Statement Preparation Manual), PCPS Checklist, or other checklist approved for use by the Board/QEP Committee.
- c. The firm/individual performing the pre-issuance review shall issue a preliminary written report (in letter form) to the practice unit and the Board which fully describes all deficiencies which must be corrected prior to issuance of the report.
- d. The firm/individual performing the pre-issuance review shall also issue a final written report (in letter

form) to the practice unit and the Board which report shall indicate whether the practice unit had issued a report to the client which had corrected all the deficiencies previously identified in the preliminary written report.

- e. The firm/individual performing the pre-issuance review will set payment and all other engagement terms. The agreement must be written and, at a minimum, include the matters outlined in the accompanying engagement letter example, with an executed copy thereof provided to the Board. The Board will not be a party to the agreement and will not guarantee payment or the performance of any of the terms of the engagement.
- f. Pre-issuance reviews must be completed to the reviewer's satisfaction before the practice unit issues the report to the client. Within thirty days after issuance, the practice unit will be required to provide to the State Board a copy of the engagement letter with the "verification of completion" signed by the pre-issuance reviewer.
- g. The firm/individual performing the pre-issuance review shall retain a copy of all draft reports, final reports, workpapers, checklists and other information developed during their pre-issuance review, in their files, for a period of three years.

4. The Board/QFP Committee has the authority to require other specific procedures to be used during the pre-issuance review, and any such procedures will be included in a notification to the practice unit and the firm/individual performing the pre-issuance review.

5. Failure to comply with these guidelines/standards may result in disciplinary action against the practice unit undergoing pre-issuance review, or the firm/individual performing the pre-issuance review.

6. The Board/QEP Committee will neither be liable to any party for a reviewer's work nor will it hold a reviewer liable for the reviewed practice unit's work. The Board/QEP Committee will not bring a disciplinary action against a reviewer in the event a reviewed report is subsequently determined to be deficient. However, the Board may bring disciplinary action against the reviewer if there is evidence that the review was not conducted in accordance with these guidelines/standards or other relevant professional standards.

Attachment: Example of Pre-issuance Engagement Letter

**NEBRASKA STATE BOARD OF PUBLIC ACCOUNTANCY
QUALITY ENHANCEMENT PROGRAM**

EXAMPLE: PRE-ISSUANCE ENGAGEMENT LETTER

(city and state)

(date)

(name of licensee to be reviewed)

As you have requested, I (my firm) will agree to perform a pre-issuance review in accordance with the Guidelines adopted by the Nebraska State Board of Public Accountancy, Quality Enhancement Program Committee, for your client as follows:

Client Name:

Industry:

Type of Report:

Period Covered by Financial Statements:

My review will be conducted in accordance with professional standards, including the guidance provided by the AICPA, Division for CPA Firms, Private Company Practice Section Peer Review Manual that applies to peer reviews of engagements. Upon completion of the review I will communicate my findings and, although pre-issuance reviews are not intended to encompass a licensee's overall practice, I will communicate suggestions for improvement that come to my attention. If the scope of the review is limited by conditions that preclude the application of one or more procedures considered necessary or if we are unable to reach agreement on any matters disclosed during the review, I will contact the State Board of Public Accountancy for guidance. Within thirty days after satisfactory completion of the review I will issue a written report to you and provide a copy to the State Board of Public Accountancy. If it is necessary to obtain the consent of the client for review of pertinent files and records, you will assume the responsibility for obtaining such consent. In connection with the review, I will not have any contact with your client. If you are aware of any situation that may appear to be a conflict of interest between you and your client and myself, please notify me immediately.

It is understood that you will not seek to hold or cause or assist to hold me liable for damages on account of any good faith act or omission, or in respect of any particular deficiency in the files and records selected for review or in your overall practice. The foregoing does not apply to liability for damages arising out of any act or omission not in good faith or constituting gross negligence or recklessness. You will not subpoena or otherwise call upon me to testify in any action to which I am not a party with respect to any of the work or the reports or with respect to any information acquired or developed in connection with the review.

It is expected that the review will, be performed during the period from _____ to _____ in your office at the address shown above. Based on the data you have submitted, the number of hours anticipated that the review will take, and the billing rate, are as follows:

I will inform you of any conditions that indicate this estimate will change significantly. Actual time will depend in large part upon the nature of your procedures and the extent to which they are documented. Your firm will also pay all reviewer out-of-pocket expenses.

If you accept these terms and conditions for the engagement, please so indicate by signing and returning the enclosed copy of this letter; whereupon this letter, including any attachments, will become a contract between you and I for the performance of the specified review.

Sincerely,

I (we) accept the terms and conditions described above.

(Individual or Firm to be reviewed)

Date